MEMO TO FINANCE COMMITTEE COMMISSIONERS

TO: Finance Committee Commissioners

FROM: James M. White, Jr., Chief Financial Officer


DATE: January 8, 2016

The subject SS&R provides the Authority with the maximum flexibility and authority to address two issues: 1) the expiration of three (3) expiring LOCs (with Bank of America N.A, Royal Bank of Canada, The Bank of New York Mellon) and, 2) secondly provides authority for the DRPA to issue an RFP to banks/investment banks to provide LOC structure and pricing and/or the opportunity to propose “alternative financing structures” related to all of the Authority’s Letters of Credits, which support all of the 2008 and 2010 Revenue Refunding Bonds.

1) The SS&R provides the DRPA staff with the authority to extend the three (3) expiring LOCs as follows:

   a) **Bank of America**: The 2008S Letter of Credit, expires July 22, 2016 (approximate amount of $130.2 million as of 12/31/15); The extension would mean a new expiry date of an additional 2, 3 or 4 year term, to be determined with B of A.

   b) **Royal Bank of Canada**: The 2010A Letter of Credit, expires March 18, 2016 (approximate amount of $138.1 million as of 12/31/15); the extension would be for an additional five (5) month period, ending on August 1, 2016, at current pricing.

   c) **The Bank of New York Mellon**: the 2010C Letter of Credit, expires March 18, 2016 (approximate amount of $45.8 million, as of 12/31/15); the extension would be for an additional three (3) months, ending on July 1, 2016, at current pricing.

The extensions provide the Authority with sufficient time to issue an RFP to renew or replace the above existing LOCs.

2) The SS&R also provides DRPA staff with the authority for the issuance of a RFP to solicit proposals related to all of the LOCs (5) related to the 2008 and 2010 Revenue Refunding Bonds, wherein respondents can provide: pricing and other terms for a renewal or replacement of these LOCs and terms and pricing for “alternative financing structures.”

Hopefully this summary assists you in the review of the SS&R. We will, of course, discuss this SS&R to clarify any questions that you might have.

Thank you.
SUMMARY STATEMENT


COMMITTEE: Finance Committee

COMMITTEE MEETING: January 13, 2016

BOARD ACTION DATE: January 20, 2016

PROPOSAL: That the Board authorizes: (i) the extension of the stated expiration dates of the Letter of Credits issued by (a) Bank of America, N.A. securing the Authority's Revenue Refunding Bonds, Series A of 2008, (b) Royal Bank of Canada securing the Authority's Revenue Refunding Bonds, Series B of 2010 and (c) The Bank of New York Mellon securing the Authority's Revenue Refunding Bonds, Series C of 2010; and (ii) preparation and dissemination of requests for proposals to banking and investment banking entities for the provision of alternate or replacement letters of credit or liquidity facilities and/or to provide alternate financing structures related to the Authority's Revenue Refunding Bonds, Series A of 2008, Series B of 2008, Series A of 2010, Series B of 2010 and Series C of 2010.

PURPOSE: To authorize and approve (i) the extension of the stated expiration dates of the Letters of Credit issued by Bank of America, N.A., Royal Bank of Canada and The Bank of New York Mellon, respectively, securing the payment of the Authority's variable rate Revenue Refunding Bonds, Series A of 2008, Series B of 2010 and Series C of 2010, to the extent that such bonds are not otherwise remarketed upon tender of the owners thereof; (ii) the preparation and dissemination of requests for proposals to banking and investment banking entities for the provision of alternate or replacement letters of credit or liquidity facilities and/or to provide alternate financing structures related to the Authority's Revenue Refunding Bonds, Series A of 2008, Series B of 2008, Series A of 2010, Series B of 2010 and Series C of 2010; and (iii) authorizing certain actions in connection therewith.

BACKGROUND: On July 25, 2008, the Authority issued: (i) $169,660,000 aggregate principal amount of its Revenue Refunding Bonds, Series A of 2008 ("2008A Revenue Bonds"); and (ii) $188,515,000 aggregate principal amount of its Revenue Refunding Bonds, Series B of 2008 ("2008B Revenue Bonds"), each pursuant to an Indenture of Trust, dated as of July 1, 1998 ("Original Indenture"), between Commerce Bank, National Association (as predecessor to TD Bank, National Association), as trustee ("Trustee"), as such Original Indenture has been amended and supplemented to date (as amended and supplemented, the "Indenture").

On March 31, 2010, the Authority issued: (i) $150,000,000 aggregate principal amount of its Revenue Refunding Bonds, Series A of 2010 ("2010A Revenue Bonds"); (ii) $150,000,000 aggregate principal amount of its Revenue Refunding Bonds, Series B of 2010 ("2010B Revenue Bonds"); and (iii) $150,000,000 aggregate principal amount of its Revenue Refunding Bonds, Series C of 2010 ("2010C Revenue Bonds" and together with the 2008A Revenue Bonds, the 2008B Revenue Bonds, the 2010A Revenue Bonds and the 2010B Revenue Bonds, the "Revenue Bonds"), each pursuant to the Indenture.

The Revenue Bonds were each issued as variable rate bonds, pursuant to which: (i) interest on such Revenue Bonds is reset on a weekly basis; and (ii) each such Revenue Bonds are subject to tender by the owners thereof and, upon tender, are purchased and remarlceted to other holders by (a) Bank of America Merrill Lynch, as remarketing agent for the 2008A Revenue Bonds, (b) TD Securities, LLC (USA), as remarketing agent for the 2008B Revenue Bonds, (c) RBC Capital Markets, as remarketing agent for the 2010A Revenue Bonds, (d) Barclays Capital, as remarketing agent for the 2010B Bonds and (e) BNY Mellon Securities, as remarketing agent for the 2010C Bonds.

The purchase price of the Revenue Bonds tendered or deemed tendered for purchase and not remarlceted by the respective remarketing agents referred to above, and the principal of and interest due thereon, is currently secured by: (i) with respect to the 2008A Revenue Bonds, an

irrevocable letter of credit ("2008A Letter of Credit") issued by Bank of America, N.A. ("BofA"); (ii) with respect to the 2008B Revenue Bonds, an irrevocable letter of credit ("2008B Letter of Credit") issued by TD Bank, N.A. ("TD"); (iii) with respect to the 2010A Revenue Bonds, an irrevocable letter of credit ("2010A Letter of Credit") issued by Royal Bank of Canada ("RBC"); (iv) with respect to the 2010B Revenue Bonds, an irrevocable letter of credit ("2010B Letter of Credit") issued by Barclays Bank PLC ("Barclays"); and (v) with respect to the 2010C Revenue Bonds, an irrevocable letter of credit ("2010C Letter of Credit" and together with the 2008A Letter of Credit, the 2008B Letter of Credit, the 2010A Letter of Credit and the 2010B Letter of Credit, the "Letters of Credit") issued by The Bank of New York Mellon ("BNY Mellon").

Current Stated Expiration Dates of Letters of Credit

The 2010A Letter of Credit, unless extended, each expires by its terms on March 18, 2016 ("2010A Stated Expiration Date"). The 2010C Letter of Credit, unless extended, expires by its terms on March 18, 2016. The 2008A Letter of Credit, unless extended, expires by its terms on July 22, 2016 ("2008A Stated Expiration Date"). The 2008B Letter of Credit, unless extended, expires on December 31, 2017 ("2008B Stated Expiration Date"). The 2010B Letter of Credit, unless extended, expires on March 20, 2018 ("2010B Stated Expiration Date").

In addition to the foregoing, the 2008B Letter of Credit, unless extended, expires by its terms on December 31, 2017, and, the 2010B Letter of Credit, unless extended, expires by its terms on March 20, 2018.

Extension of Stated Expiration Dates

In connection with the pending expiration dates of the 2008A Letter of Credit, the 2010A Letter of Credit and the 2010C Letter of Credit (collectively, the "2008A, 2010A and 2010C Letters of Credit"), the Authority has requested, in accordance with the terms of each of 2008A,

2010A and 2010C Letters of Credit, an extension of the respective stated expiration dates thereof due to the favorable historical performance of each of the 2008A, 2010A and 2010C Letters of Credit, the overall credit quality of each of BofA, RBC and BNY Mellon, and the cost savings to the Authority in maintaining the 2008A, 2010A and 2010C Letters of Credit. In response to such request, each of BofA, RBC and BNY Mellon has offered several proposals (each a "Proposal") pursuant to which BofA, RBC and BNY, as applicable, would be willing to provide an extension to the stated expiration dates of each of the 2008A, 2010A and 2010C Letters of Credit under the existing reimbursement agreements executed in connection with such 2008A, 2010A and 2010C Letters of Credit, in each case subject to the satisfaction of certain conditions and the execution and delivery by the Authority of certain agreements, instruments and other documents.

In particular, the Proposal provided by BofA includes extensions to the 2008A Stated Expiration Date for an additional term of either 2, 3 or 4 years, with differing fees corresponding to the respective length of the extension. The Proposal provided by RBC includes an extension to the 2010A Stated Expiration Date for an additional 5 month period (to August 1, 2016) at the current pricing level. The Proposal provided by BNY Mellon includes an extension to the 2010C Stated Expiration Date for an additional 3 month period (to July 1, 2016) at the current pricing level.

The Authority's Chief Executive Officer, Chief Financial Officer/Treasurer and General Counsel, with the advice and counsel of the Authority's Co-Bond Counsel and Co-Financial Advisors, have evaluated each of the Proposals and have heretofore advised the Board as to the terms and provisions of each such Proposal.

In connection with the foregoing, the Board is now desirous of proceeding with the extension of the stated expiration dates of each of the 2008A, 2010A and 2010C Letters of Credit and to take certain action in connection therewith. In particular, the Board, in order to effectuate the extension of the stated expiration dates of each of the 2008A, 2010A
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and 2010C Letters of Credit, is now desirous of: (i) delegating to the Chief Executive Officer, with the advice and counsel of the Authority's Chief Financial Officer/Treasurer, General Counsel, Co-Bond Counsel and Co-Financial Advisors, the authority to determine the length of the extension of the stated expiration dates of each of the 2008A, 2010A and 2010C Letters of Credit and the terms and provisions by which each such stated expiration date shall be extended, in each case upon terms most advantageous to the Authority; (ii) authorizing and approving the execution and delivery on behalf of the Authority of such agreements, instruments and other documents as are deemed necessary and appropriate in connection with such extensions; and (ii) delegating to certain Authority officers and officials the authority to undertake the foregoing on behalf of the Authority, including the payment of costs and expenses incurred by the Authority (including, but not limited to, legal, professional and other fees) in connection therewith.

RFP’s for Substitute or Alternate Liquidity and Financing Structures

Prior to the stated expiration dates of the 2008B Letter of Credit and the 2010B Letter of Credit (and prior to the new stated expiration dates of the 2008A, 2010A and 2010C Letters of Credit, when determined) the Board is desirous of authorizing and approving the solicitation of proposals from qualified banks or investment banking entities for: (i) the provision of letters of credit or liquidity facilities to substitute for any or all of the 2008A Letter of Credit, the 2008B Letter of Credit, the 2010A Letter of Credit, the 2010B Letter of Credit and the 2010C Letter of Credit, (ii) the provision of alternative financing structures which could be utilized by the Authority in lieu of the provision of letters of credit or liquidity facilities, whether in whole or in part, with respect to the 2008A Revenue Bonds, the 2008B Revenue Bonds, the 2010A Revenue Bonds, the 2010B Revenue Bonds and/or the 2010C Revenue Bonds.

In connection with the foregoing, the Board is now desirous of: (i) delegating to the Chief Executive Officer, with the advice and counsel of the Authority's Chief Financial Officer/Treasurer, General Counsel, Co-
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Bond Counsel and Co-Financial Advisors, the authority to prepare and disseminate requests for proposals from qualified banks and investment banking entities seeking proposals for (a) the provision of substitute or replacement letters of credit or liquidity facilities for any or all of the 2008A Letter of Credit, the 2008B Letter of Credit, the 2010A Letter of Credit, the 2010B Letter of Credit and the 2010C Letter of Credit and (b) the provision of alternative financing structures which could be utilized by the Authority in lieu of the provision of letters of credit or liquidity facilities, whether in whole or in part, with respect to the 2008A Revenue Bonds, the 2008B Revenue Bonds, the 2010A Revenue Bonds, the 2010B Revenue Bonds and/or the 2010C Revenue Bonds; and (ii) delegating to certain Authority officers and officials the authority to undertake the foregoing on behalf of the Authority, including the payment of costs and expenses incurred by the Authority (including, but not limited to, legal, professional and other fees) in connection therewith.
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SUMMARY:

That the Board authorizes: (i) the extension of the stated expiration dates of the 2008A, 2010A and 2010C Letters of Credit issued by BofA, RBC and BNY Mellon securing the Authority’s 2008A Revenue Bonds, 2010A Revenue Bonds and 2010C Revenue Bonds; and (ii) the preparation and dissemination of requests for proposals for replacement or substitute letters of credit or liquidity facilities and/or alternate financing structures for the 2008A Revenue Bonds, the 2008B Revenue Bonds, the 2010A Revenue Bonds, the 2010B Revenue Bonds and/or the 2010C Revenue Bonds.

SUMMARY:

Amount: N/A
Source of Funds: General Fund
Capital Project #: N/A
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: TBD
Other Parties Involved: Bank of America, N.A.; TD Bank, N.A.; Royal Bank of Canada; Barclays Bank PLC; The Bank of New York Mellon; TD Bank, National Association, as Trustee; Co-Financial Advisors; Co-Bond Counsel
RESOLUTION

RESOLVED: That the Board of Commissioners of the Authority ("Board") hereby authorize and approve the extension of the stated expiration dates (collectively "Stated Expiration Dates") of the existing letters of credit provided by Bank of America, N.A. (expiring July 22, 2016), Royal Bank of Canada (expiring March 18, 2016) and The Bank of New York Mellon (expiring March 18, 2016) (collectively the "Letters of Credit") to secure the Authority's outstanding variable rate Revenue Refunding Bonds, Series A of 2008 ("2008A Revenue Bonds"), Revenue Refunding Bonds, Series A of 2010 ("2010A Revenue Bonds"), and Revenue Refunding Bonds, Series B of 2010 ("2010C Revenue Bonds"); and

RESOLVED: That the Chief Executive Officer, with the advice and Counsel of the Authority's Chief Financial Officer/Treasurer, Counsel, Co-Bond Counsel and Co-Financial Advisors, is hereby authorized to determine the length of the extension of the Stated Expiration Dates of each the Letters of Credit and the terms and provisions by which such Stated Expiration Dates shall be extended, in each case upon terms most advantageous to the Authority; and

RESOLVED: That the Chair, Vice Chair and Chief Executive Officer, with the advice of the Authority's Chief Financial Officer/Treasurer, Co-Bond Counsel, Co-Financial Advisors and General Counsel, are hereby authorized to approve and execute any and all agreements, contracts, instruments or other documents on behalf of the Authority necessary or required to effectuate the extension of the Stated Expiration Dates of the Letters of Credit. If such agreements, contracts, instruments or other documents have been approved by the Chair and the Chief Executive Officer and if, thereafter, the Chair and Chief Executive Officer are absent or unavailable, and it is necessary to execute said document(s) while the
Chair and Chief Executive Officer are absent or unavailable, the Chief Financial Officer/Treasurer may execute said agreements, contracts, instruments and documents on behalf of the Authority; and

RESOLVED: That the Board hereby authorizes and directs the payment of fees and expenses incurred by the TD Bank, National Association, as Trustee, counsel to the Trustee, the Authority’s Co-Financial Advisors, Co-Bond Counsel, Bank of America, N.A. ("BofA"), Royal Bank of Canada ("RBC"), The Bank of New York Mellon ("BNY Mellon"), counsel to each of BofA, RBC and BNY Mellon, and any special counsel or co-counsel or other professional advisors of the Authority engaged by the Authority in connection with the extension of the Stated Expiration Dates of the Letters of Credit and, in connection therewith, the Chief Financial Officer/Treasurer is hereby authorized to pay such fees and expenses on the basis of a fixed fee specifically agreed to by the Authority and each such party, plus any reasonable costs and expenses in excess thereof approved by the Chief Financial Officer/Treasurer. The Chief Financial Officer/Treasurer shall prepare and submit a report to the Finance Committee indicating the amount of any such fees and expenses paid subsequent to the completion of the extension of the Stated Expiration Dates of the Letters of Credit described herein; and

RESOLVED: That Authority staff are hereby authorized to take all other necessary and convenient actions, subject in each case to review and advice of the Chief Executive Officer, Chief Financial Officer/Treasurer and General Counsel, in order to undertake and effectuate on behalf of the Authority the extension of the stated expiration dates of the Letters of Credit, all in accordance and consistent with this Resolution; and

RESOLVED: That the Chief Executive Officer, with the advice of the Authority’s Chief Financial Officer, Co-Financial Advisors and Co-Bond Counsel, is hereby authorized to prepare and disseminate requests for proposals ("RFP’s") from qualified banks and investment banking entities for the purpose of seeking proposals for: (i) the provision of letters of credit or liquidity facilities to substitute for any or all of the letters of credit securing the 2008A Revenue Bonds, the Authority's Revenue Refunding Bonds, Series B of 2008 ("2008B Revenue Bonds"), the 2010A Revenue Bonds, the Authority's Revenue Refunding Bonds, Series B of 2010 ("2010B Revenue Bonds"), and the 2010C Revenue Bonds; and (ii) the provision of alternative financing structures which could be utilized by the Authority in lieu of the provision of letters of credit or liquidity facilities, whether in whole or in part, with respect to the 2008A Revenue Bonds, the 2008B Revenue Bonds, the 2010A Revenue Bonds, the 2010B
Revenue Bonds and/or the 2010C Revenue Bonds, all in accordance with the Authority’s procurement policies; and

RESOLVED: That the Board hereby authorizes and directs the payment of fees and expenses incurred by the Authority’s Co-Financial Advisors, Co-Bond Counsel, and any special counsel or co-counsel or other professional advisors of the Authority engaged by the Authority in connection with the preparation and dissemination of the RFP's described in this Resolution and, in connection therewith, the Chief Financial Officer/Treasurer is hereby authorized to pay such fees and expenses on the basis of a fixed fee specifically agreed to by the Authority and each such party, plus any reasonable costs and expenses in excess thereof approved by the Chief Financial Officer/Treasurer. The Chief Financial Officer/Treasurer shall prepare and submit a report to the Finance Committee indicating the amount of any such fees and expenses paid subsequent to the completion of the preparation and dissemination of the RFP's described herein; and

RESOLVED: That Authority staff are hereby authorized to take all other necessary and convenient actions, subject in each case to review and advice of the Chief Executive Officer, Chief Financial Officer/Treasurer and General Counsel, in order to undertake and effectuate on behalf of the Authority the preparation and dissemination of the RFP's described herein, all in accordance and consistent with this Resolution.

SUMMARY: Amount: N/A
Source of Funds: General Fund
Capital Project #: N/A
Operating Budget: N/A
Master Plan Status: N/A
Other Fund Sources: N/A
Duration of Contract: TBD
Other Parties Involved: Bank of America, N.A.; TD Bank, N.A.; Royal Bank of Canada; Barclays Bank PLC; The Bank of New York Mellon; TD Bank, National Association, as Trustee; Co-Financial Advisors; Co-Bond Counsel